



**Subject: THE DEPARTMENTAL FEDERAL ASSISTANCE FINANCING
SYSTEM (DFAFS)**

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10-52-00 PURPOSE

This chapter highlights the Departmental Federal Assistance Financing System (DFAFS), the requirements it places on grants management and contract offices and on operating accounting systems, the role of DFAFS as a fiscal intermediary and how each area of activity works together in an integrated systems environment. It also provides reference to other documentary materials which more fully describe DFAFS and its operations.

10-52-10 SCOPE

A. DFAFS is a system for providing payments to recipients that are authorized by HEW awards. It has two specific responsibilities:

1. DFAFS will make payments for all appropriate Departmental financial assistance-like awards (grants, contracts, agreements and loans). Initial implementation of DFAFS began with those open program awards financed through the previous Grants Payment System operated by the National Institutes of Health (NIH).

All other programs will be evaluated by Principal Operating Component (POC) and Departmental Management (DM) staff with a recommendation to the Office of the Deputy Assistant Secretary, Finance (DASF) concerning the applicability of financing such awards through DFAFS. Those programs and awards not deemed appropriate for financing through DFAFS must include a justification for their exemption from DFAFS. Final decision for payment responsibility of existing awards rests with the DASF, as will all future awards.

2. DFAFS is the financial organization responsible for making payments to all HEW Recipients who have an HEW Single Letter of Credit. An HEW Single Letter of Credit is an agreement between HEW and a recipient organization that all HEW awards to the recipient will be financed through a single letter of credit.

If there is any question as to which program are currently funded through DFAFS or which recipients hold HEW Single Letters of Credit, the cognizant Financial Management Officer should be contacted.

10-52-20 OVERVIEW OF DFAFS

- " DFAFS was developed by HEW to create a single system that would pay awards (grants, contracts, agreements and loans) for all appropriate HEW Federal Domestic Assistance Programs. By paying most HEW awards, DFAFS provides the award recipient one focal point for all cash transactions and for expenditure reporting. This can be contrasted to a recipient dealing with a potential of 10 HEW financial offices for financing of his awards.
- " DFAFS provides federal cash to recipients through three payment mechanisms:
 - " Letter of Credit: Funds are drawn (in advance) by the recipient through his commercial bank which obtains funds through the Federal Reserve System and the Treasury. This mechanism is used for all qualifying recipients with an annual HEW program in excess of \$250,000. It is also, by definition, used for all recipients holding an HEW Single Letter of Credit.
 - " Cash Request: Funds are advanced (via Treasury check) by DFAFS upon receipt of a cash request from the recipient. This mechanism is used for the majority of the recipients paid by DFAFS who do not qualify for letter of credit financing.
 - " Direct Payment: For a very limited number of awards DFAFS makes direct payments via Treasury check. This mechanism is being phased out of DFAFS.

For both the letter of credit and cash request mechanisms, one of the major features of DFAFS is that cash is advanced on a pooled basis. That is, DFAFS does not advance funds for a specific award but advances funds on the basis of the total funds required by the recipient. This facilitates cash management for both the recipient and DFAFS.

- C. As recipients expend the federal funds advanced by DFAFS, they report results back to DFAFS. This reporting serves two major goals: it reconciles cash balances advanced between the recipient and DFAFS; and, it determines the amounts expended by the recipient on each of his awards.

- D. DFAFS is linked to HEW POC/DM/Region accounting systems through magnetic tape exchange. HEW POC/DM/Regions provide obligation data (reflecting individual grants, contracts, agreements and loans) to DFAFS in a standard tape format. These obligation data provide the basis for DFAFS advancing funds to recipients; if an obligation is not recorded in DFAFS, funds cannot be advanced to the recipient. As expenditure data are reported to the DFAFS by recipients, these data are provided on magnetic tape to the HEW POC/DM/Region accounting systems. The Accounting Systems then record these expenditures as liquidations of their obligations.
- E. DFAFS obtains federal funds to support its payments to recipients by billing the HEW POC/DM headquarters financial management offices their share of DFAFS payments. Funds received from the POCs/DM are maintained in a grants management fund from which the DFAFS payments are made.
- F. DFAFS main functions are providing federal funds to support awards made by HEW POC/DM/Regions and collecting expenditure data. It was not designed to supplant POC/DM/Region accounting records. However, since the primary file unit for the DFAFS is individual award, linkage with POC/DM/Region accounting systems is provided at the award level. Periodically DFAFS provides a copy of its award level data base to the POC/DM/Regions for synchronization with their records.
- G. DFAFS is operated by the Federal Assistance Financing Branch (FAFB) which is located within the Office of the Deputy Assistant Secretary, Finance, Division of Accounting Systems and Procedures.

10-52-30 RESPONSIBILITIES

A. DFAFS

As a fiscal intermediary, DFAFS, through the Federal Assistance Financing Branch (FAFB), has the following responsibilities:

1. Registering into its files, new organizations to which HEW POC/DM/Regions will make awards using information provided by the POC/DM/Regions.
2. Establishing a payment relationship with those recipients receiving awards from HEW POC/DM/Regions.
3. Expeditionously posting obligation data provided by the POC/DM/Regions. Such data becomes the DFAFS authorization to advance funds to recipients.

4. Providing federal funds to recipients in accord with their needs and authorizations (i.e., obligations) as established by the POC/DM/Regions.
5. Controlling federal cash in the hands of recipients to minimize such cash balances. This includes reconciling the cash balances reported by recipients to federal records.
6. Obtaining expenditure data from recipients on their HEW awards and providing such data to the HEW POC/DM/ Regions.
7. Providing a synchronization tape to each POC/DM/Region for matching against their accounting system records.
8. Billing POC/DM headquarters offices their share of payments made by DFAFS and maintaining a proper balance in, and accountability for, the supporting grants management fund.
9. Communicating problems expressed by recipients to the appropriate POC/DM/Regions for resolution and supporting POC/DM/Region efforts to resolve such problems.

B. HEW POC/DM/REGIONS

HEW POC/DM/Regions have the following responsibilities:

1. Providing the necessary information to DFAFS to register the new recipients to which DFAFS will make payments on their behalf. This also includes registering the new recipient into the Central Registry System (CRS). See Chapter 10-51 for further details.
2. Providing valid obligation data in the proper format on a timely basis so that DFAFS can initiate payment activity with a recipient. POC/DM/Regions are totally responsible for all the steps leading up to the award. Included in this responsibility is provision that an award document properly cites the information necessary for the recipient to interact with DFAFS.
3. Expeditionously posting expenditures provided by DFAFS into their accounting systems and providing status of award reports to their organizations.

4. Synchronizing their automated accounting records with those of DFARS as embodied on the DFARS synchronization Tape.
5. Resolving problems with recipients as presented to them by DFARS. Examples of such problems are:
 - " Missing obligations or incorrect amount of obligations.
 - " Expenditure in excess of obligation.
 - " Use of incorrect document number.
 - " Award coded to wrong recipient.
6. Expeditiously closing awards which are completed and providing the necessary closing actions to DFARS.
7. Settling payment requests/refunds for their awards subsequent to their being closed and purged from DFARS.

In addition to the above, the POC/DM Headquarters have the responsibility to pay the DFARS billing as presented in accord with Departmental policy.

A. RECIPIENTS

Recipients have the following responsibilities:

1. Drawing (or requesting) federal cash only when required and in concert with applicable government regulations, and within the terms and conditions of their awards.
2. Reporting expenditures to DFARS on either a monthly or quarterly basis (as defined by DFARS) and in concert with the terms and conditions of their awards.
3. Minimizing the amount of federal cash on hand and reconciling federal cash balances with DFARS as required.
4. Notifying DFARS when all expenditures on an award are completed and providing a final report of expenditures to the awarding POC/DM/Region.
5. Communicating to DFARS any differences between their records (as evidenced by obligation documents) and data shown on DFARS reports to the recipient.

10-52-40 OTHER DFAFS DOCUMENTATION

- A. This chapter has provided only an overview of DFAFS and its operations. This is done purposely. To fully document DFAFS here would unnecessarily enlarge this accounting manual. Alternatively, reference is made to those documents that a reader may turn for further information.

1. DFAFS User Guide

- " The DFAFS User Guide provides all HEW organizations and individuals involved with DFAFS a clear and comprehensive understanding of the system. It explains the purposes of the system, its capabilities, reporting requirements and operational aspects. It also provides a comprehensive discussion of the way the system functions as a fiscal intermediary between HEW awarding agencies and recipient organizations.
- " The User Guide is a document to assist working level persons in the HEW financial management and grants management/program organizations. While it articulates general policies and responsibilities applicable to DFAFS, it is targeted toward the person who desires or requires full familiarity with DFAFS, as a system and as it interrelates with the recipient community and the total HEW grants and financial management processes. The most specific target audience of the DFAFS User Guide is the several financial management organizations; and its intent is to provide a total picture of DFAFS as it relates to all grants and financial management practices.
- " This Guide was provided to all holders of the HEW Accounting Manual and/or the HEW Grants Administration Manual. Copies were also distributed to POC/DM/Region chief contracting officers. Additional copies may be secured through the OS Publications Service.

2. DFAFS Recipient Handbook

- " This document, also known as the "Gray Book", was first published in August 1974. It contains instructions for the recipient so that he may properly interact with DFAFS. This document can impart a special viewpoint to the reader who wishes to view DFAFS from the recipient's perspective. The major emphasis is on information the recipient needs to know in order to interact with DFAFS.

" The DFAFS Recipient Handbook is, as of January 1, 1977, undergoing revision to incorporate the several changes made in DFAFS since it began operation in July 1974. This revision will be completed in the middle of 1977. Until the revision is completed and a new document published, differences between the Recipient Handbook and the DFAFS User Guide can be resolved by recognizing the DFAFS User Guide as current and correct.

B. OTHER CHAPTERS IN THE DEPARTMENTAL ACCOUNTING MANUAL

Within the Department-al Accounting Manual there are other chapters which provide information on certain aspects of DFAFS. They are:

1. Chapter 10-51. This chapter describes the Central Registry System and how it interrelates with DFAFS.
2. Chapter 3-20. This chapter describes, among others, the standard input record formats used to provide obligation data to DFAFS and to provide expenditure data to the POC/DM/Regions.
3. Chapter 4-40. This chapter prescribes, among others, the transaction codes used on accounting transactions provided to and by DFAFS.
4. Chapter 2-35. This chapter prescribes actions which must be taken by the Obligation Control Point to ensure that award documents are provided the POC/DM/Regions are provided in a timely manner. It also describes special distribution actions which must be taken on awards to HEW Single Letter of Credit holders.